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OFFICE OF RESEARCH AND REPORTS

PROGRESS REPORT

1. MISSION

Under the broad mission of CIA, the Office of Research and Reports has three main responsibilities:

- a. Coordinate the production of intelligence in the economic field.
- b. Produce certain economic intelligence studies required to supplement those produced by other intelligence agencies or to fulfill requests of the Intelligence Advisory Committee.
- c. Perform certain services of common concern.

2. COORDINATION

ORR has made the following progress in the fulfillment of its coordination function:

- a. NAC Action 202 -- During 1950 ORR undertook, at the request of the National Security Council, a survey of the requirements of the US Government for foreign economic intelligence related to the national security and of the facilities and arrangements of the Government for fulfilling those requirements. This survey was completed in May of this year. It revealed that:
 - (1) twenty-four agencies of the Government collected and analyzed substantial amounts of information concerning one or more aspects of foreign economies.
 - (2) no single agency was responsible for assessing the relevance of the data thus collected to problems of national security or for mobilizing this data in support of the national security.
 - (3) there was no system by which the data collected could be located quickly for use by a single agency.

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- (h) no agency was responsible for identifying gaps in the total information available and taking action to fill the important gaps.

The National Security Council, in its Intelligence Directive No. 15, has charged the CIA with remedying these deficiencies. The CIA, in turn, has established an Economic Intelligence Committee to assist in the fulfillment of these responsibilities. The Committee is chaired by the Assistant Director for Research and Reports and is composed of representatives of the Departments of State, Army, Navy, and Air. It is contemplated that other agencies such as the Economic Cooperation Administration, Commerce, and Treasury will be invited to participate as matters concerning them arise.

- b. Economic Intelligence Committee — While the Economic Intelligence Committee is not yet fully under way, ORR has been preparing major problems for presentation to the Committee. Attention is being focussed initially on the economy of the Soviet Orbit because of the importance of Soviet economic capabilities at this juncture and because of the difficulty in obtaining direct access to facts about the economy. It is planned that the attention of the Committee will later be extended to other parts of the world.

(1) Research Program

ORR has been working on a coordinated program for the production throughout the US Government of urgently needed intelligence on the economy of the Soviet Orbit. This work has begun with an analysis of what is already available and what is needed. This program is being discussed with the other intelligence agencies through the medium of the Economic Intelligence Committee and the advice of distinguished experts on Soviet economic matters is being sought. Later a similar program will be developed for other areas.

(2) Source material in Government files

Another problem in the coordination of intelligence is to insure that the material in the Government is indexed and accessible to users. In the absence of a satisfactory

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system for turning up material already in Washington a great deal of expensive effort to collect needed data may be wasted, and important questions that could be answered with the data remain unanswered. In order to correct this situation, ORR has been conducting a preliminary survey of documents relating to economic matters in Russian and satellite languages now on file in other agencies of the Government. It is hoped to uncover all important collections of material to acquaint all important users with its existence, and ultimately to provide machinery for extracting from all this material quickly and efficiently all the information relating to a given problem.

(3) Requirements for information from the field

Another problem in the field of coordination is that of arranging for the collection of needed data so that:

- (a) the needs of all important users of the data are taken care of by one collection action
- (b) collection action will not be frustrated by endless prior coordination in Washington.

These contradictory ends can best be achieved by continual coordination of research work among the users of economic data and by direct contact between the users and the collectors. The entire problem of data collection is being discussed with the other intelligence agencies through the medium of the Economic Intelligence Committee. In the meantime, the Department of State has asked CIA to coordinate requests for economic data directed to the Foreign Service by the intelligence agencies.

(4) Inventory of Special Skills

A great deal of technical talent in economics and related fields is scattered throughout the Government. In order to have access to this

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talent, the analysts of ORR have begun to collect data on the location of the other analysts in the Government who are expert in their particular field of responsibility. The goal is for each ORR analyst to be able to call personally his opposite number in any agency in order that he might have the benefit of the best expertise available.

3. PRODUCTION

The major substantive undertaking of ORR is the performance of authoritative basic research on the economy of the Soviet Orbit. In the past, the Government has depended on broad generalizations and estimates of economic factors that were prepared on the basis of limited evidence and ad hoc analysis. The aim of ORR is to find all the facts available and submit them to exhaustive analysis in order to arrive at the firmest possible conclusion. This work, in many cases, involves elaborate fitting together of many small fragments of information in order to arrive at a single aggregate figure. Such an approach consumes both time and personnel, but is essential at this time because of the importance of the economic capabilities of the Soviet Orbit vis-a-vis the non-Soviet world and our inability to obtain these data by more conventional methods.

- a. Inventory — The first step in the ORR program of basic research into the economy of the Soviet Orbit was an inventory by industry and commodity by commodity inventory of the knowledge already available, with particular attention to identification of the important gaps in that knowledge. This was followed by a similar inventory covering the European satellites.
- b. Research — ORR is now entering a period of intensive research designed to fill the most important gaps identified in the course of the inventory of our knowledge of the Soviet economy. Within six months another inventory will be made in order to find out how well the gaps have been filled and to identify those parts of our knowledge that are the weakest. This work is being coordinated with that of the other agencies through the medium of the Economic Intelligence Committee.

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- c. China — Little research has been done in the United States Government on the economy of China since that country passed into the Soviet Orbit. ORR is preparing to extend its basic research to cover China as well as the USSR and the European satellites.

4. SERVICES OF COMMON CONCERN

a. The National Intelligence Survey Program

- (1) Purpose — The NIS Program was established pursuant to NSCID No. 3 of 13 January 1948. Essentially, this directive provides that:
 - (a) An outline of all basic intelligence required by the Government shall be prepared by the Central Intelligence Agency in collaboration with other appropriate agencies.
 - (b) This outline shall be broken down into chapters, sections, and sub-sections which shall be allocated as production and maintenance responsibilities to CIA and those other Government agencies best qualified by reason of their intelligence requirements, production capabilities, and dominant interest to assume these responsibilities.
 - (c) This basic intelligence shall be compiled and continuously maintained in National Intelligence Surveys (NIS) to cover foreign countries, areas, or broad special subjects, as appropriate.
 - (d) The NIS shall be disseminated in such form as may be determined by the Director of Central Intelligence (DCI) and the agencies concerned.

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- (e) The DSI shall be responsible for coordinating the production and maintenance and for accomplishing the editing, publication, and dissemination of the NIS and shall make such requests on the agencies as are necessary for the proper development and maintenance of the NIS.
- (f) Departments or agencies to be called on for contributions to this undertaking may include agencies other than those represented permanently in the Intelligence Advisory Committee.

(2) Progress

- (a) There have been produced altogether the approximate equivalent of 12 complete NIS. In addition, there have been prepared base maps for 45 NIS Areas, and Cassette for 42 NIS Areas, comprising about 425,000 standard geographic names. The production schedule for the present fiscal year calls for the additional production of approximately the equivalent of 10 complete NIS, base maps for 23 NIS Areas, and Cassette for 12 NIS Areas. Provision is also being made for the initial preparation of the major portion of the NIS on [REDACTED]

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- (b) The progress of the NIS Program, however, cannot be gauged solely by a statistical compilation. For the first time, the field of basic intelligence has been organized into a single program in which each intelligence agency has a definite area of responsibility concerned with basic intelligence collection, file maintenance, and production. This ensures a minimum of duplication and deficiency and assigns to each agency tasks for which it is most suited. Likewise, the review and editing of the

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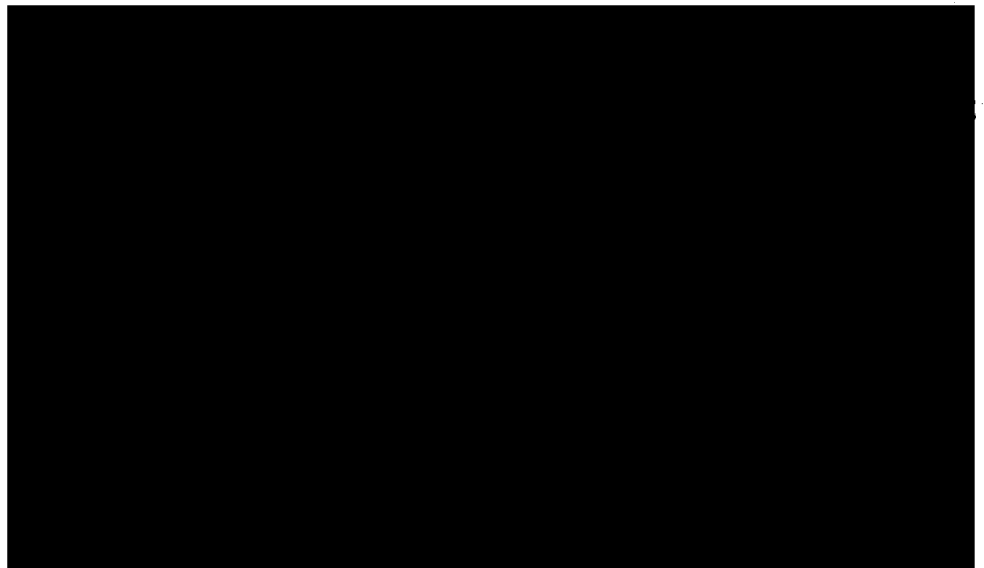
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NIS contributions by the CIA provides definite intelligence standards against which the contributing agencies can determine the adequacy of their own capabilities. Moreover, the use of the uniform set of NIS outline requirements permits a logical and firm basis for the proper development of basic intelligence by all the intelligence agencies.

- b. Geographic Intelligence — ORR's work in the geographic intelligence field is a service of long standing and poses few problems out of the ordinary. The coordination of geographic intelligence production has been improved through successful cooperation with producing components in other agencies. There has been a marked increase in the research support given to CIA operations and the cartographic program has continued to supply newly constructed maps for inclusion in National Estimates and for other intelligence purposes. The coordination of requirements for the procurement of current maps and related materials from foreign and domestic sources has been successful and has resulted in the acquisition of valuable material for both intelligence and operational purposes.

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5. INTELLIGENCE SUPPORT

In addition to formal production, ORR makes intelligence available to certain agencies on an informal continuous day-to-day basis and through membership on inter-agency committees, as follows:

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- a. Special Committee on East-West Trade of the National Security Council — This Committee is reviewing the trade of all countries with the Soviet bloc, especially in making recommendations to the NSC as to determinations under the Ken amendment.
- b. Interdepartmental Working Group on Economic Problems of the UN Collective Measures Committee — OER has participated from the intelligence viewpoint in the preparation of a number of papers for the use of the US representative to the UN Collective Measures Committee.
- c. Advisory Committee on Export Policy, Operating Committee, and Procedure Subcommittee — These committees advise the Secretary of Commerce in the determination of our export control policies and programs. OER support comprises formal intelligence production, submitted directly to the Committees or through member agencies, and informal review in Committees of intelligence aspects of export control policies and operations.
- d. Inter-agency support to US delegations to international conferences on export control — OER, in cooperation with OIR, Department of State, prepares memoranda on the strategic importance of items presented at Tripartite Conferences, and reviews the Tripartite documents prior to their submission to the Coordinating Committee (COCOM) in Paris.
- e. Ad Hoc Working Groups — In addition to the foregoing, OER participates in the work of various ad hoc inter-agency working groups requiring economic intelligence support.

6. ORGANIZATION

The following organization has been established to carry out OER's mission. The coordinating and producing functions are handled by the same people. The chief limitation on the effectiveness of the organization is the inadequate number of experienced persons on duty. Out of a total figure of 856, OER now has 461 on duty and 129 awaiting clearance.

In addition to the Office of the Assistant Director and the Administrative Staff, OER is divided into eight main divisions reporting to the Assistant Director for Research and Reports. These may be grouped as follows:

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a. Economic Divisions

- (1) Materials Division — covers ferrous and non-ferrous metals, solid fuels and petroleum, food and agriculture, chemicals, and special commodities such as gold and uranium. (78 persons on duty or awaiting clearance - 64 vacancies)
- (2) Industrial Division — covers production of ammunition, weapons, ships, aircraft, production equipment, electrical and electronic devices, and capital goods. (50 persons on duty or awaiting clearance - 47 vacancies)
- (3) Economic Services Division — covers transportation, communications, trade and finance, labor and manpower, electric power, construction, and economic organization. (54 persons on duty or awaiting clearance - 32 vacancies)
- (4) Economic Analysis Division — conducts studies in economic capabilities, economic warfare and export control problems, US foreign economic programs, and economic strategy; develops new techniques and methods for ascertaining economic facts.

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b. Services of Common Concern

- (1) Basic Intelligence Division — coordinates the production of the National Intelligence Surveys. Edits the NIS and arranges for reproduction and dissemination. (53 persons on duty or awaiting clearance - 17 vacancies)
- (2) Geographic Division — produces all special (non-terrain) maps needed for intelligence purposes throughout the Government; does special geographic studies for the Department of State, studies foreign mapping agencies, geographical aspects of all foreign areas; maintains a library of special maps; makes graphic presentations for the use of the NSC and CIA; and procures foreign maps for the use of all mapping agencies in the Government. (146 persons on duty or awaiting clearance - 19 vacancies)

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a. Support Divisions

- (1) Reports Division — schedules and coordinates the production of approved projects within OHR, edits finished reports, and arranges for their reproduction and dissemination. (13 persons on duty or awaiting clearance - 3 vacancies)
- (2) Requirements and Control Division — receives, sorts, and screens incoming intelligence material; arranges for the collection of information needed by the analysts of OHR. (36 persons on duty or awaiting clearance - 4 vacancies)

7. CONSULTANTS

During its formative stages OHR has received the benefit of advice and assistance from a number of consultants from both industry and the academic world.

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These men have given a considerable amount of their limited time to a study of OHR's problem of analyzing the Soviet economy. From their personal experience they have been able to make a number of recommendations concerning methods of estimating Soviet production. They have also been helpful in finding qualified technical experts for recruitment by OHR.

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These consultants have been helpful in devising new techniques and methods for ascertaining economic facts and in analyzing the nature of the Soviet economy. They have also been helpful in finding trained economists for recruitment by ORR.

8. SUMMARY OF PROGRESS

ORR has established the mechanics for accomplishing its coordinating function and has a firm start on its substantive program of intelligence research. Much work remains, however, to be done in both fields. In the meantime considerable effort has gone into recruiting a competent staff. Work in our substantive field should accelerate as more competent people report for duty. The chief obstacle to be overcome continues to be that of working space. It is understood that solution of this problem is under study by the responsible members of the Agency.

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WHY ECONOMIC INTELLIGENCE?

Economic Potential of the USSR

This is the big question that must be answered by broad generalizations that are based as much as possible on specific knowledge of all important sectors of the Soviet economy. We need to know how big a war the USSR can fight? The answer to this question has all sorts of implications for US mobilization and the US economy. We also need to know what kind of war the USSR can fight? If the USSR can fight major naval and air campaigns, it will affect the way in which we develop our own armed forces. If the USSR can produce a lot of new weapons in quantity, that too will have serious implications for our own planning. Furthermore, the US needs to know how ready is the USSR to fight? A study of the Soviet economy can answer a large part of this question. Many subsidiary questions go into the broad analysis of the economic war potential of the USSR. For example:

Oil

The Soviets produce only about 1/10 as much oil as the US. Does this mean that with regard to petroleum the USSR has only 1/10 the military potential of the US? Probably not. We know that the USSR does not use oil for space heating. By analysis of the Soviet transport system we can determine that movement in their economy requires much less in the way of petroleum products than in the US. By an analysis of the chemical industry, we can determine that the USSR does not use large quantities of petroleum in the manufacture of plastics and other civilian products as the US does. On the military side we can determine how many planes they have and the types of fuel they use. We can then determine whether the USSR can produce enough fuel to keep that number of planes in operation. Also we can study plane production to project that production rate into the future. By comparing that projected rate with a similarly projected rate of fuel production, we can determine the ability of the USSR to expand their military potential within the limits of their petroleum production.

Machine Tools

The USSR has depended heavily in the past on import of machine tools from the US and Europe. At the same time they have given a high priority to the development of a machine tool industry in the USSR. Is the USSR now self sufficient in machine tools? In other words will existing stocks of machine tools last until they can be replaced by internal production? Or is the rate of expansion in the entire economy so great that the USSR must acquire as many tools as possible from any source? What limitation on the

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expansion of the Soviet economy is created by the capacity of Soviet machine tool production and the amount of foreign exchange available with which to buy imported tools? The answers to these questions will affect the US plans for economic warfare as well as our over-all mobilization planning.

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